



# ITG News

Keeping First Nations Informed



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As many of you are aware, we have been working on the development of an IRS/Tribal Consultation Policy for the past 18 months. We have followed a structured process that was suggested by the Advisory Committee to the Tax Exempt Government Entities Commissioner. That process included a series of 12 listening meetings and a comment period on the discussions that took place at those meetings.

I am pleased to announce that we have taken another step forward in the evolution of the policy, through the formation of a volunteer drafting group that included twelve tribal representatives. This group met in July and completed an outline of a draft policy that was heavily reliant on the feedback from the previous listening meetings. The outline was posted to our web site at [www.irs.gov/tribes](http://www.irs.gov/tribes), along with a listing of the drafting committee members. Feedback was solicited, which could be provided to any member.

The drafting group will be meeting in late October to finalize the language in the draft policy. We hope to have the TEGE Commissioner meet with the group at that time, after which the policy will be subjected to a formal review.

While we have been very deliberate in the creation of the IRS/Tribal Consultation Policy, it is our hope that the steps we have taken will lead to a policy that works well for everyone, and enables maximum dialogue to occur wherever possible. If you have any questions or suggestions, please feel free to contact any of the members of the drafting group. Their names and contact information are listed on page 2 of this newsletter.

**Christie Jacobs**



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To add your name or e-mail address to our mailing list, please contact us via e-mail at [Michelle.L.Risk@irs.gov](mailto:Michelle.L.Risk@irs.gov), or call Michelle L. Risk at (602) 207-8682.

*Account or Tax Questions??  
Call Account or Tax Questions??  
Call Customer Account Services at  
1-877-829-5500*

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## **Magnetic Media Specifications for Title 31 Reports Are Updated**

The Financial Crimes Enforcement Network has updated the Magnetic Media Filing specifications for the various forms required under Title 31. This includes FinCEN Forms 102 and 103, which are the common forms filed by tribal casinos.

The requirements for magnetic media filing of the Currency Transaction Report by Casinos (FinCEN Form 103) are contained in a 46 page document that can be accessed at [http://www.fincen.gov/magmed\\_ctr.pdf](http://www.fincen.gov/magmed_ctr.pdf). The specifications for Suspicious Activity Reports (SARCs) are reflected in a 29 page document that can be accessed at [http://www.fincen.gov/magmed\\_sarc.pdf](http://www.fincen.gov/magmed_sarc.pdf).

The specification changes are effective February 1, 2005.

## **Abusive Schemes Continue to be an Area of Focus**

The office of Indian Tribal Governments continues to focus on combating abusive schemes that are surfacing in Indian country. Our intent is to take actions that will protect tribal assets and minimize financial risk to the tribes and tribal members. Many schemes occur without the direct knowledge of the tribe, and/or without an understanding of the consequences by the tribe. They are a major concern for both the Service and Tribal governments who are struggling to protect their sovereignty and fledging enterprises, and maintain the support of Congress and the general public. These concerns are magnified by increasing attempts by promoters to use the tax and legal status of tribes to shelter transactions from taxation and oversight.

Risks can arise when a promoter gains a foothold within a tribal enterprise and convinces a tribe to implement programs that often sound "too good to be true". Recent examples we have uncovered include improper deferrals of per capita distributions to members, improper practices involving employee leasing entities, and embezzlement of tribal funds.

We are actively seeking to partner with tribes to address these issues. Our web site was recently updated to include a special section on abusive schemes, along with a link for reporting them via e-mail or in writing. We have also included brief descriptions of the specific areas currently under review, and we will be expanding that section in the near future.

We appreciate the assistance of several tribes and tribal organizations that have been supporting this effort, and we welcome others to join with us to ensure that we can jointly address these problems as quickly as possible. Specific questions or concerns relating to abusive schemes can be directed to Ken Voght at (716) 686-4860, or via e-mail at [tege.itg.schemes@irs.gov](mailto:tege.itg.schemes@irs.gov).



## How to Respond to Notices and Avoid Form 1099 Penalties

It is that time of year for the issuance of the Notice 972CG, regarding the Notice of Proposed Civil Penalty. Soon some entities, but hopefully not all, will be receiving this notice and a listing of the information returns filed with missing or incorrect name/Taxpayer Identification Number (TIN) combinations. A name/TIN combination is incorrect when it does not match or cannot be found on the IRS files that contain Social Security Numbers and Employer Identification Numbers. Notice 972G proposes a penalty of \$50 for each return you did not file correctly. You should compare the listing with your records to determine:

- **If you took appropriate action to meet the requirements for reasonable cause, and**
- **If you must make an annual solicitation in the current year to avoid penalties in the future years.**

One way to obtain the necessary information and avoid penalties is to secure a Form W-9, Request for Taxpayer Identification Number and Certification, or an acceptable substitute is used by persons required to file information returns (such as Forms 1099-MISC, Forms 1099-R, or Forms W-2G) with the IRS to get the payee's correct TIN prior to making a payment to a vendor, especially a service provider vendor. This will provide the entity with the information needed at year end for the issuance of the Forms 1099 for payments that total \$600 or more to service providers.

A Social Security Number (SSN) must be used with an individual name even though he or she may also have an Employer Identification Number (EIN). He or she must always furnish his or her individual name regardless of whether he or she uses a SSN or an EIN. A sole proprietor may also provide a business name or dba ("doing business as"), but the individual name must be listed first on the account with you.

Other businesses should enter the business name as shown on required federal tax documents. The dba may be listed on the second line "business name". The EIN of the entity should be entered in part 1 of the form requesting the TIN.

A name/TIN combination is incorrect if it doesn't match or can't be found on IRS or SSA files. Your TIN is not interchangeable with different names. A business Employer Identification Number (EIN) must be used for a partnership or corporation. A Limited Liability Company (LLC) may be a sole proprietorship, partnership, or corporation. A LLC that is a sole proprietorship must provide the social security number of the sole proprietor and not the EIN for the LLC.

The Form W-9 certifies for you that the payee's TIN is correct and the payee is a U.S. person. It also states the kind of business entity and may determine if you have a requirement to file an information report.

U.S. resident aliens who are not eligible to receive a SSN must apply for an Individual Tax Identification Number (ITIN) on Form W-7, Application for IRS Individual Taxpayer identification Number. A Form W-9 is also used by individuals who have an ITIN.

The Form W-9 is signed under penalties of perjury. Penalties may be applicable to payees for failure to furnish the TIN or providing false information. Payors may be subject to civil penalties for missing or incorrect information on the information reports.

### **Backup withholding will apply if:**

- 1) The payee fails to furnish his or her SSN or TIN to you, or.
- 2) The IRS notifies you to impose backup withholding because the payee furnished an incorrect TIN.

You may establish a system for payees to submit Forms W-9 electronically or by fax. More information on backup withholding may be obtained in Publication 1679, A Guide to Backup Withholding, and in Publication 1281, Backup Withholding on Missing and Incorrect Name/TINs. For additional information refer to the



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Instructions for the Form W-9. Please maintain the Forms W-9 in your files in event that the Internal Revenue Service requests verification of the name/TIN listed on the Form 1099.

**Tips for Obtaining “Good” TINs.** Always obtain the contractor’s TIN before paying for services. Avoid abbreviating company names. If possible, refer to and use the same name as it appeared on the original application for the EIN (Form SS-4) or social security card. If you know a company has changed its name, ask if they have informed the IRS of the change. The IRS and SSN must be informed of any name changes. When filing Form 1099-MISC for a sole proprietor, always put the individual’s name, first, followed by the business name. For example, Joe’s Garage should be reported as Joseph Johnson, DBA Joe’s Garage. It does not matter whether you are using an EIN or SSN, the individual’s name must appear first. The best tool to help you gather good information on contractors and vendors is Form W-9 (or a substantially similar version). It is a good resource for obtaining correct payee names/ TINs and other certifying exempt status for reporting purposes. In addition, the form specifically addresses the issue of sole proprietors. When properly completed, you will know if a contractor is a sole proprietor and therefore you will know to use the individual name first.

If you have questions about withholding, information reporting, Forms 1099, or the CP2100 or CP2100A Notice(s) and listing(s), you may call your local ITG specialist or Martinsburg Computing Center (MCC) Information Reporting Program Customer Service Section Telephone: 865-455-7438 (toll free) or 304-253-8700 (not toll free) Hours: 8:30 a.m. to 4:30 p.m. Monday through Friday, ET, E-Mail: [mccirp@irs.gov](mailto:mccirp@irs.gov). If you would like Form 1099 training, then please contact your assigned ITG Specialist.

## **Volunteers Needed: Are You Up for the Challenge?**

The Volunteer Income Tax Assistance (VITA) Program has been around for 35 years. The VITA programs began as a result of the Tax Reform Act of 1969. Native American communities have begun participating in the VITA program. This program has allowed the tribes to offer **free tax** help to their members and others who could not afford professional tax assistance. Over the past three years we have seen an increase in the number of volunteers and the number of returns prepared by Native American VITA sites. We would like to continue to invite you to join efforts with us to help your community by sponsoring a new or existing VITA site for the 2005 filing season. You will need to provide volunteers, computers, printers, space, and supplies. The IRS will train the VITA volunteers on basic income tax law, electronic filing and the transmittal of Federal and if necessary State income tax returns. The IRS will also provide the software and training materials to get your VITA site up and running.

Many Native American communities do not have easy access to tax preparation businesses. This results in paid tax preparers establishing temporary mobile trailer tax preparation businesses on the reservations. Many of these outside paid preparers charge large fees and promote loans with high interest rates in order for the individual taxpayers to receive rapid refunds. In order to reduce the number of tribal members taken advantage by unscrupulous tax preparers, the question is: Are you up for the **VITA Challenge?**

Currently, the IRS is establishing the VITA sites for the 2005 filing season. If you are interested in a VITA site, then please contact your assigned ITG Specialist. If you are not aware of your assigned ITG Specialist, then please contact the Southwest ITG Group Manager, Steve Bowers at 714-347-9430 or e-mail him at [Steve.D.Bowers@irs.gov](mailto:Steve.D.Bowers@irs.gov).





## 2004 Tax Filing Season Officially Ends on October 15, 2004

October 15, 2004 officially marks the end of the 2004 VITA (Volunteer Income Tax Assistance) season to electronically file the individual income tax returns. The program has been extremely successful for Native American sites in the Southwest and can serve as a model for the remainder of the country. All of the ITG Specialists in conjunction with the partners from Wage & Investment (W&I) wish to congratulate all of the VITA volunteers and coordinators for participating in the VITA program. However, we must express our deep appreciation to the Leaders of the Native American VITA sites for partnering with the IRS to make the VITA program successful. Without the support of the tribal leadership, the VITA program could not survive.

The 2002 filing season was the first year that the VITA program was promoted and implemented at the Native American sites. There were nine established sites in the state of Arizona. Those nine VITA sites prepared 555 tax returns. The VITA program has changed with different Native American sites joining and leaving the program. The 2004 filing season resulted in 1,801 tax returns being filed by nine VITA sites in the state of Arizona. This is a 224% increase in the number of returns filed at these sites alone.

These numbers are more impressive when the underlying data is reviewed. Three of the VITA sites had only one or two VITA volunteers. Almost 200 returns were prepared at each of these sites. The volunteers at these sites prepared tax returns for tribal members while continuing to perform their assigned duties. These committed individuals deserve our praise and continued support. A VITA site does not need a lot of individuals to be successful. All they need is one or two committed individuals to make the VITA site a success.

Special recognition has been bestowed on the VITA Coordinator for the Tohono O'odham Nation, Tricia Phillips. The Tohono O'odham VITA site prepared 854 electronically filed returns for the 2004 tax season. Due to the success of the Tohono O'odham VITA site, Ms. Phillips has been selected to address the annual conference of the National Congress of the American Indian (NCAI) in Fort Lauderdale. In a roundtable format, various representatives from tribal VITA sites will be called upon to share their experiences and recommendations in a breakout session on linking the Earned Income Tax Credit, VITA and asset building to strengthen tribal economies. Ms. Phillips was selected to share her experiences as the coordinator for this very successful VITA site for the past two filing seasons.

The IRS would like to congratulate the volunteers at the following sites for their contributions to the 2004 VITA Filing Season:

### Arizona Native American Sites:

Cocopah Indian Tribe  
Colorado River Indian Tribe (CRIT)  
Cornfield Chapter of the Navajo Nation  
Gila River Indian Community (GRIC)  
Pascua Yaqui Indian Tribe (PYIT)  
Salt River Pima-Maricopa Indian Community  
Tohono O'odham Nation  
White Mountain Apache Tribe  
Yavapai Apache Tribe

### Colorado Native American Sites:

Ute Mountain Ute

### New Mexico Native American Sites:

Zuni Pueblo  
Jicarilla Apache Tribe

**Remember, it only takes one person to make a difference. The VITA program needs you!**

# Federal Tax Calendar for Fourth Quarter 2004

## October 2004

SUN	MON	TUE	WED	THU	FRI	SAT
					1	2
3	4	5	6 * Make a deposit for 9/29-10/1	7	8 * Make a deposit for 10/2-10/5	9
10	11	12 Employees report September tip income to employers if greater than \$20	13	14 * Make a deposit for 10/6-10/8	15 * Make a deposit for 10/9-10/12 ** Make a deposit for September if under the monthly deposit rule	16
17	18	19	20 * Make a deposit for 10/13-10/15	21	22 * Make a deposit for 10/16-10/19	23
24	25	26	27 * Make a deposit for 10/20-10/22	28	29 * Make a deposit for 10/23-10/26	30
31						

## November 2004

SUN	MON	TUE	WED	THU	FRI	SAT
	1 Deposit Federal Un- employment Tax through September if greater than \$100	2	3 * Make a deposit for 10/27-10/29	4	5 * Make a deposit for 10/30-11/2	6
7	8	9	10 *Make a deposit for 11/3-11/5  Employees report October tip income to employers if greater than \$20	11	12	13
14	15 * Make a deposit for 11/6-11/9 ** Make a deposit for October if under the monthly deposit rule	16	17 * Make a deposit for 11/10-11/12	18	19 * Make a deposit for 11/13-11/16	20
21	22	23	24 * Make a deposit for 11/17-11/19	25	26	27
28	29 * Make a deposit for 11/20-11/23	30				

\* = Make a Payroll Deposit if you are under the semi-weekly deposit rule.

\*\* = Make a Monthly Deposit if you qualify under that rule.



## December 2004

SUN	MON	TUE	WED	THU	FRI	SAT
			1 * Make a deposit for 11/24-11/26	2	3 * Make a deposit for 11/27-11/30	4
5	6	7	8 * Make a deposit for 12/1-12/3	9	10 * Make a deposit for 12/4-12/7  Employees report November tip income to employers if greater than \$20	11
12	13	14	15 * Make a deposit for 12/8-12/10 ** Make a deposit for November if under the monthly deposit rule	16	17 * Make a deposit for 12/11-12/14	18
19	20	21	22 * Make a deposit for 12/15-12/17	23	24	25
26	27 * Make a deposit for 12/18-12/21	28	29 * Make a deposit for 12/22-12/24	30	31	

\*= Make a Payroll Deposit if you are under the semi-weekly deposit rule.

\*\*= Make a Monthly Deposit if you qualify under that rule.

NOTE: Deposits made through EFTPS are due one day prior to the dates listed.

## Return Filing Dates

### November 1st

File Form 941 for the third quarter of 2004 (if tax is deposited in full and on time, file by November 10th)  
File Form 730 and pay the tax on applicable wagers accepted during September

### November 30th

File Form 730 and pay the tax on applicable wagers accepted during October

### January 3rd, 2005

File Form 730 and pay the tax on applicable wagers accepted during November